

Exhibit G

----- Forwarded message -----

From: **Jason Brink** <j.brink@gala.games>

Date: Tue, Apr 13, 2021 at 9:19 AM

Subject: Comments on Initial Howey Paper

To: Jesse Hynes <jhynes@gala.games>

Cc: Eric Schiermeyer <eric@gala.games>, Wright Thurston <wright@gala.games>

Hello All,

Here are my high-level comments. Jesse, you can add these in to general consideration. Overall, my personal feeling is that while a very large chunk of what was in the paper in terms of the Facts are not representative of reality, the Facts as they actually exist put us in a better position in any case. It is just a matter of nailing down the specific details.

Please let me know how I can help advance this. I am more than happy to rewrite chunks of this with Adam Price if needed so that it represents the current state of the network.

Note: my comments are displayed as "HOME COMPUTER"

Jason Brink

Head of Marketing



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TO: Gala Games ("Client")
FROM: Murphy & McGonigle ("Firm")
DATE: April 9, 2021
RE: Evaluation of GALA and Gala NFTs Under *Howey*

I. Disclaimer

THIS MEMORANDUM IS NOT A FORMAL LEGAL OPINION. MURPHY & MCGONIGLE IS OFFERING A REASONED ANALYSIS OF THE TOKEN BASED ON ITS UNDERSTANDING OF THE CURRENT STATE OF THE LAW. THIS MEMORANDUM MAY NOT BE SHARED WITH OR RELIED UPON BY THIRD PARTIES WITHOUT MURPHY & MCGONIGLE'S EXPRESS, WRITTEN CONSENT.

II. Introduction

Blockchain Game Partners, Inc., d/b/a Gala Games ("Gala Games") has launched a decentralized gaming platform that runs on a proprietary blockchain called Gala (the "Gala Blockchain") combined with some functions that are currently run through smart contracts executed on the Ethereum blockchain. It is located at www.gala.games. The platform offers free games. The Gala Blockchain is run through a network of nodes that rewards node operators with digital rewards ("GALA") and non-fungible tokens ("Gala NFTs") that are stored in a wallet controlled by the node operator. The digital rewards are GALA, an ERC-20 token, and the NFTs are ERC-1155 standard tokens.

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V. Background on GALA and Gala NFTs

Founding and Capitalization of the Company

Gala Games is owned and operated by Mr. Thurston and Mr. Schiermeyer (collectively, the “Founders”). They formed the company in January 2019. Mr. Thurston provided technical goods and services to build the Gala Blockchain and Mr. Schiermeyer was primarily responsible for developing games for the platform. The Gala Blockchain platform went live in a beta test in February 2019 with an operational game that live users could play.

On July 22, 2019, the platform officially launched. As described more fully below, GALA and Gala NFTs are issued by the Gala blockchain primarily as rewards for running cryptographic

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work³ to secure the blockchain (that is, the Gala Blockchain miners). As of July 22, 2019, the work that node operators performed began accruing GALA and Gala NFT rewards for them. At this time, Mr. Thurston and Mr. Schiermeyer operated a large number of nodes, but there were other, independent node operators on the network as well. The Gala Blockchain did not rely on any "pre-mining," that is, no GALA was earned for any mining until the network was publicly available on July 22, 2019. The first GALA was issued in August 2019.

Commented [HC2]: Could quibble over this a bit...but for the sake of this we can pretend that the Gala Blockchain is a thing for now.

The Founders have capitalized the company with their personal funds. No GALA or Gala NFTs were sold (through an ICO, STO, or otherwise) to raise funds to run the Company. GALA and Gala NFTs have never been available for purchase directly from Gala Games.

Commented [HC3]: True, though NFTs were sold to provide ongoing operational expenses.

Commented [HC4]: Not true by any stretch of the imagination.

Gala Games does not have a revenue stream. It does not sell hardware, software, or tokens. In the future, it may make money by partnering with other game companies that desire to run a game on the Gala blockchain. On the other hand, the Founders are considering whether Blockchain Game Partners needs to continue doing business as "Gala Games." Their main goal is for Blockchain Game Partners, Inc., in conjunction with other, independent game developers, to launch and run popular games on the Gala Blockchain.

Commented [HC5]: Incorrect. We sell NFTs and Software Licenses.

Commented [HC6]: Yes it does.

Commented [HC7]: Yes it does, as in-game items.

The Founders purchased thousands of node licenses (which fees were distributed among all other node operators according to ordinary Gala Blockchain rules) and have, over time, accrued a large amount of GALA and Gala NFTs in their roles as node operators (not in their roles as founders of Gala Games). This cache of GALA is referred to herein as the "Founders' Mining Cache." The Founders have paid Gala Games employees and independent contractors with GALA they have earned from running nodes. There is a five-year vesting schedule for these GALA payments to fully vest.

Commented [HC8]: No they were not.

Commented [HC9]: This is not an accurate representation.

Commented [HC10]: I have not seen this schedule.

GALA and Gala NFT Issuance Mechanism

An analog for the issuance of GALA and Gala NFTs is the Bitcoin blockchain. New Bitcoin is only issued through its proof-of-work mining network. No one can purchase a new Bitcoin from a central "Bitcoin" company; no such company exists and no such mechanism for such a purchase exists.

Similarly, new GALA and Gala NFTs are dropped into the wallets of node operators providing cryptographic work to secure and operate the Gala blockchain, which is best understood as the Gala mining network.⁴ Node operators earn points according to a schedule of points-for-work. So, for example, a node operator earns points for his node being live for a certain number of consecutive hours. According to an algorithm incorporated in the Gala

³ The Gala blockchain runs on multiple cryptographic systems of proof: proof-of-work, proof-of-stake, proof of action, and proof of storage.

⁴ Note that GALA and GALA NFTs are minted on the Ethereum blockchain pursuant to smart contracts, but are dropped into wallets sitting on the Gala blockchain.

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Blockchain, GALA and Gala NFTs are rewarded to node operators according to their points rank: the more points a node operator has, the more likely he is to receive GALA and Gala NFTs in the next distribution. Gala Games has no control over the algorithm.

Commented [HC11]: This is not factually accurate.

New node licenses are automatically created by the Gala Blockchain according to a schedule. For example, every time a game on the blockchain hits a certain number of new users, a new node license is automatically created. Anyone can purchase that license to operate the new node. The fees from the purchase (paid in GALA, BAT, or Ether) are distributed to the current node operators. Alternatively, the code to run a node is available for free at GitHub. Anyone can download the code and set up their own node, although an unlicensed node earns fewer points than a licensed node.

Commented [HC12]: This is not factually accurate.

Commented [HC13]: This is a great aspirational statement, but not reflective of reality.

Commented [HC14]: No, it is not.

Commented [HC15]: This is not true.

There is one way to earn points for a GALA/Gala NFT distribution that does not involve mining activity: game play. However, game points are worth very little according to the distribution schedule and someone who is not mining will earn very little GALA/Gala NFT. Moreover, because GALA and Gala NFTs are dropped into node operator wallets, even someone earning points solely through gameplay will need a Gala Blockchain node to collect his rewards.

Commented [HC16]: Currently, this is not true.

The Gala Blockchain is available everywhere except in OFAC-listed countries.

Decentralization of the Gala Blockchain

The Gala Blockchain is a decentralized, peer-to-peer network supported by the users of the Gala Blockchain, which is not owned, controlled or operated by Gala Games. In this respect, the Gala Blockchain is like Bitcoin and Ethereum, which are also fully decentralized and not controlled by a single company. The Founders mined most of the Gala Blockchain (in their individual capacity as node operators) for a time. On July 22, 2019, [insert data on early decentralization of mining]. They now only operate 200 nodes each (400 total) out of more than 8,000 active nodes. The Gala Blockchain appears to have more nodes than Ethereum.⁵ Moreover, there are 40,000 total nodes on the Gala Blockchain.

Commented [HC17]: Great aspirational statement, but not reflective of reality.

Commented [HC18]: True, and something to be proud of!

Commented [HC19]: I have no idea where this number came from.

Gala Games does not have any direct control over the Gala Blockchain. It does not operate any nodes, it does not own any GALA or Gala NFTs, and it does not exercise voting control. The Founders, though, own a large number of nodes (and currently operate a small fraction of their nodes), own a significant amount of GALA and Gala NFTs (earned through their node operation), and can exercise the voting rights associated with their nodes. Although the Founders therefore have a large stake in GALA, the blockchain is sufficiently decentralized that they do not control it. Votes on the Gala Blockchain require 75% of the nodes to pass, and neither Mr. Thurston nor Mr. Schiermeyer (independently or collectively) have sufficient voting capacity to unilaterally control the blockchain. [How much voting capacity do they have?]

Commented [HC20]: This is not factually accurate.

Commented [HC21]: This is not factually accurate.

Commented [HC22]: This is not codified anywhere and certainly isn't in the code.

⁵ <https://www.ethernodes.org/>.

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The Gala Blockchain is not a centralized blockchain. Gala Games's employees are contributing to the continued development of the blockchain in conjunction with other third parties (mainly node operators). The Terms and Conditions statement that "GALA has no influence whatsoever on the Gala Blockchain" is something of an overstatement given its role in further development. Gala Games has some control (that is, "influence") over the Gala Blockchain, but other third parties exercise control as well. Gala Games cannot and does not control the Gala Blockchain.

The Gala Blockchain is designed to be a gaming platform for games designed and operated by companies *including but not limited to* Gala Games. This is not just a future goal. Splinterlands, a crypto gaming company independent of Gala Games, partnered with Gala Games in late 2020 to allow GALA owners to use GALA for in-game purchases in Splinterlands.

Use of GALA and Gala NFTs

GALA has at least three specific utilities on the Gala Blockchain. First, it can be used to purchase nodes. Second, it can be used within games to buy items. These items could be Gala NFTs that another player is selling, card packs that are incorporated into game play, or even items from other game companies, like Splinterlands, that are integrated into the Gala network. Third, GALA is used to pay miners for their services.

Gala NFTs are generally game play items (like a sword or crane) designed to have utility within a game on the Gala Blockchain. The long-term goal is for NFTs to have utility in multiple games, allowing users to move their purchased goods from game to game.

Public statements/advertising

Gala Games has described GALA in some detail in the Gala Games FAQ (emphasis added):

Q: What is GALA?

A: The native digital cryptographically-secured utility mark of the Gala Games ecosystem (GALA) is a transferable representation of attributed functions specified in the protocol/code of the Gala Games ecosystem, which is designed to play a major role in the functioning of the ecosystem on the Gala Games ecosystem and intended to be used solely as the primary utility token within the ecosystem. GALA powers the Gala Games Universe. This is an ecosystem that is designed to spread and grow around the Gala Games properties that are being created. The first game produced for the Gala Games Ecosystem, Town Star, is covered in more depth later.

GALA is currently based on the Ethereum blockchain and conforms to the ERC-20 standard. **GALA is a non-refundable functional utility token** which will be used as

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the medium of exchange between participants on the Gala Games ecosystem. **The goal of introducing GALA is to provide a convenient and secure mode of payment and settlement between participants who interact within the ecosystem on the Gala Games ecosystem (for example, payment of digital goods or in-game items), and it is not, and not intended to be, a medium of exchange accepted by the public (or a section of the public) as payment for goods or services or for the discharge of a debt; nor is it designed or intended to be used by any person as payment for any goods or services whatsoever that are not exclusively provided by the issuer.** GALA does not in any way represent any shareholding, participation, right, title, or interest in the Company, the Distributor, their respective affiliates, or any other company, enterprise or undertaking, nor will GALA entitle holders to any promise of fees, dividends, revenue, profits or investment returns, and **are not intended to constitute securities in Singapore or any relevant jurisdiction.** [T]oken may only be utilized on the Gala Games ecosystem, and ownership of GALA carries no rights, express or implied, other than the right to use GALA as a means to enable usage of and interaction within the Gala Games ecosystem.

The company disclaims any expectation of profit by GALA holders in the Terms and Conditions: "Gala cannot guarantee or warrant the value of any NFT, digital reward or blockchain, including the GALA Blockchain and GALA Reward, and explicitly warns the User that there is no reason to believe that any NFT or blockchain reward will increase in value, and that they may hold no value, decrease in value, or entirely lose value." Gala Games does not promote a secondary market for GALA or Gala NFTs. It markets GALA to users of the Gala Blockchain. For example, in the FAQ, the question "What is the utility of GALA" is answered with: "GALA is the fuel that runs the Gala Games network. Using GALA, you can buy items from within the Gala Games ecosystem, purchase card packs at other Alliance-members like Splinterlands, or activate nodes on the Gala Games network. In the long-run, many other functionalities will be built into the network." The answer does not mention profit potential or a secondary market.

The website does not contain promissory statements that GALA will increase in value as the platform becomes more widely adopted, although a statement made in a different context resembles such a statement. When Gala Games explains why it plans to mint 30 billion GALA, it says "when you consider that the last game produced by Eric Schiermeyer and Michael McCarthy topped over 30m users, you can see the importance of having a large supply to engage with players." Although this statement is clearly an explanation of the number of GALA to be minted, it could also be read as suggesting that reliance on Gala Games might positively impact the value of GALA.

Secondary market

Because newly minted GALA and Gala NFTs are distributed to node operators, the exchange of GALA and Gala NFTs is the main secondary market. For example, Mr. Thurston and

Commented [HC23]: The number is 50b

Commented [HC24]: Very fair statement, this will be edited.

While the supply of GALA might appear large, when you consider that there are 2.4b gamers around the world, you can see the importance of having a large supply to engage with players. If just a fraction of these gamers were to join the Gala Games Ecosystem this GALA would be spread very thinly. You can easily see how the ecosystem needs supply to be able to scale correctly.

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Mr. Schiermeyer run a store accessible on the Gala Games's website that sells NFTs to TownStar players.⁶ The NFTs were distributed to them as node operators, but TownStar players can purchase them using GALA. The Gala Games website advertises the availability of GALA via Uniswap and Bitrue.

Commented [HC25]: This is not factually accurate.

Gala Games has not focused on getting GALA or Gala NFTs listed on the secondary market. Third party node operators have begun trading their GALA on Uniswap and their NFTs on Open Sea. In reliance on a legal opinion from a firm in Singapore, someone affiliated with Gala Games arranged for GALA to be listed on the Bitrue exchange. Thus, there is a limited secondary market for GALA that exists overseas. It was trading at less than a penny in 2020 until the recent Bitcoin surge. It is now trading at approximately 2 cents per GALA. Thus, to acquire GALA right now without operating a Gala Blockchain node would entail purchasing it on Uniswap, Bitrue, or, theoretically, setting up a peer-to-peer transaction with a GALA holder.

VI. Legal Standard

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Appendix

Sources of information:

Gala.Games website

Coinmarketcap.com secondary market information

Decentralization memo provided by Wright Thurston

Correspondence with Wright Thurston and Jesse Hynes